

Message Text

LIMITED OFFICIAL USE

PAGE 01 PARIS 02442 281933Z

43

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 CEA-02 SCI-06

FEA-02 INT-08 IO-14 OIC-04 NEA-11 DRC-01 /213 W

----- 112841

R 281852Z JAN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6418

USMISSION EC BRUSSELS

USMISSION OECD PARIS

LIMITED OFFICIAL USE PARIS 2442

E.O. 11652: N/A

TAGS: ECON, ENRG, EFIN, FR

SUBJECT: PREPARATION FOR FEBRUARY 11 ENERGY CONFERENCE -
CURRENT FRENCH POLICY AND PROJECTIONS - UPDATED

REF: STATE 7324; PARIS 1794

1. SUMMARY THE FLOAT OF THE FRANC HAS NOT BEEN ACCOMPANIED TO DATE BY ANY SUBSTANTIAL CHANGE IN GOF MACROECONOMIC POLICY ORIENTATION. THERE HAS BEEN NO OFFICIAL REVISION OF FORECASTS TO ACCOUNT FOR FLOATING BUT A PRIVATE POST-FLOAT FORECAST CONFIRMS GOF 1974 ECONOMIC PROJECTIONS CITED IN PARIS 1744.

A REVERSAL IN THE DIRECTION OF EXTERNAL PAYMENTS CONTROLS HAS ACCOMPANIED THE FRANC FLOAT. FORMERLY DISCOURAGING NET CAPITAL INFLOWS, THE GOF IS NOW ACTIVELY ENCOURAGING THEM. ALSO NOTEABLE IS PRESIDENT POMPIDOU'S STATEMENT LAST THURSDAY THAT OIL PRICES HAVE RISEN TOO FAR AND TOO FAST. END SUMMARY.

2. ECONOMIC OUTLOOK AND POLICY - GOF PRESENTATIONS BEFORE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PARIS 02442 281933Z

THE SPECIAL SESSION OF PARLIAMENT LAST WEEK REVEALED LITTLE NEW

INFORMATION (PARIS 1998). GOF ECONOMIC POLICIES WOULD REMAIN UNCHANGED. THE PREVIOUS PUBLIC FORECASTS OF 1974 BALANCE OF PAYMENTS AND THE COST OF OIL WERE AFFIRMED AS VALID DESPITE FLOAT OF FRANC. LATER PRESIDENT POMPIDOU CALLED FOR PLANNING COMMISSION TO EXAMINE LONGER RANGE OPTIONS WHICH WOULD FORM BASIS OF GOF ACTION PLAN TO BE REPRESENTED BEFORE PARLIAMENT CONVENES IN REGULAR SESSION APRIL 2. THESE WOULD BE BASIS OF "INTERIM" ECONOMIC PLAN TO RUN FOR TWO OR THREE YEARS AND TO UPDATE SIXTH PLAN, WHICH COVERS PERIOD 1971-1975.

3. PRIVATE FORECASTS - PARIS CHAMBER OF COMMERCE HAS RELEASED FIRST AVAILABLE PRIVATE 1974 FORECAST ACCOUNTING FOR MOST RECENT OIL PRICE/SUPPLY DEVELOPMENTS. FORECAST ALSO TAKES ACCOUNT OF FRANC FLOAT. CONCLUSIONS CLOSELY FOLLOW INTERNAL GOF FORECAST REPORTED IN FIRST TEL THIS SERIES. REVISED GROWTH IN REAL NATIONAL PRODUCT FOR 1974 FORECAST AT 4.4 PERCENT COMPARED TO GOF FORECAST RANGE OF 4.0 TO 4.5 PERCENT. 1974 NATIONAL PRODUCT DEFLATOR FORECAST AT 10.8 PERCENT AND CONSUMPTION DEFLATOR AT 12.5 PERCENT ASSUMING A 1.0 PERCENT INCREMENT IN THE INDICES DUE TO IMPORT PRICE INCREASES AND AN EVENTUAL PETROLEUM COST 20 PERCENT HIGHER THAN AT PRESENT. TRADE DEFICIT WOULD BE 11 BILLION FRANCS IN 1974 AS MORE FAVORABLE EXCHANGE RATE DUE TO FLOATING LIMITED IMPORT GROWTH (IN VOLUME). COMMENT: THIS PRIVATE FORECAST, LIKE OTHERS IN FRANCE, IS LARGELY DERIVATIVE AND JUDGEMENTAL, BASED ON TINKERING WITH OFFICIAL FORECASTS AND ASSUMPTIONS.

4. MONETARY POLICY - FRENCH CREDIT POLICY HAS CONTINUED TO TIGHTEN SINCE FIRST OF YEAR REFLECTING NEW DESIRE THAT MONEY RATES ATTRACT FOREX INFLOWS AND DISCOURAGE OUTFLOWS. INTEREST ON DAY-TO-DAY MONEY REACHED 15 PERCENT ON THURSDAY, JANUARY 24, BEFORE RECEDING SOMEWHAT FRIDAY AS BANK OF FRANCE UNDERTOOK TECHNICAL EASING TO HELP BANKS OVER END-OF-MONTH SETTLEMENT PINCH.

5. CAPITAL CONTROLS - IN ADDITION TO FLOATING AND INTEREST RATE POLICY, GOF HAS UNDERTAKEN ARRAY OF MEASURES WHICH COMPLETELY REVERSES ORIENTATION OF CONTROLS ON CAPITAL. OUTFLOWS ARE NOW TO BE CONTROLLED AND INFLOWS ENCOURAGED RATHER THAN THE REVERSE. FIRST STEP WAS REMOVAL OF ALL RESERVE REQUIREMENTS ON NON-RESIDENT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PARIS 02442 281933Z

BANK DEPOSITS JANUARY 15 (PARIS 1353). LAST WEEK BLOCK OF ADDITIONAL MEASURES ANNOUNCED (PARIS 1690) WHICH FORBODE NEW FRANC LOANS TO NON-RESIDENTS, RAISED FOREIGN BORROWING LIMITS AND REORIENTED CONTROLS ON EXPORT CREDITS AND FORWARD COVER.

6. BOTTLENECKS-INDUSTRY DEVELOPMENTS - STATISTICS CONFIRMED SHARP DOWNTURN IN AUTO SALES AND EXPORTS IN DECEMBER. TECHNICAL BREAKDOWN IN SKIKDA GAS LIQUEFACTION PLANT IN ALGERIA (PARIS 190)

WILL BE REPAIRED SOON BUT REQUIRE RATIONING THROUGH FEBRUARY
IN SUBSTANTIAL AFFECTED AREA.

7. ANALYSIS OF IMPLICATIONS OF FRANC FLOAT CONTAINED
IN PARIS 1928.
STONE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, IMPORTS, FOREIGN MINISTERS MEETINGS, ECONOMIC REPORTS, BALANCE OF PAYMENTS, CENTRAL LEGISLATURE
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PARIS02442
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740112/aaaaakjz.tel
Line Count: 121
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 7324; PARIS 1794
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by shawdg>; APPROVED <29 MAY 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PREPARATION FOR FEBRUARY 11 ENERGY CONFERENCE - CURRENT FRENCH POLICY AND PROJECTIONS - UPDATED
TAGS: ECON, ENRG, EFIN, FR, US
To: STATE OECD PARIS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005